

# Exhibit GGG

**Democracy North Carolina**  
Durham, North Carolina

**Audited Financial Statements**  
Years Ended December 31, 2023 and 2022

DEMOCRACY NORTH CAROLINA  
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December 31, 2023 and 2022

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Democracy North Carolina  
Morrisville, North Carolina

### *Opinion*

We have audited the accompanying financial statements of the Democracy North Carolina, (the "Organization"), which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Democracy North Carolina as of December 31, 2023 and 2022, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibility*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of



not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.
- Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*McConnell & Jones LLP*

Durham, North Carolina  
May 28, 2024

DEMOCRACY NORTH CAROLINA  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2023 and 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 3,676,156	\$ 4,210,522
Restricted cash and cash equivalents (note 15)	28,295	26,854
Accounts receivable	109	48
Employee Retention Credit receivable (note 4)	396,214	-
Grants receivable (note 5)	1,098,388	944,865
Promises to give (note 6)	46,928	77,082
Sales tax receivable	8,054	23,028
Other assets	58,346	39,647
Total current assets	5,312,490	5,322,046
Non-current assets:		
Property and equipment, net (note 7)	48,045	63,148
Right-of-use assets - operating leases (note 16)	635,920	71,456
Beneficial interest in assets held by the Foundation of the Carolinas (note 8)	361,160	321,440
Total non-current assets	1,045,125	456,044
Total assets	\$ 6,357,615	\$ 5,778,090
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 20,868	\$ 20,142
Credit cards payable	15,804	29,661
Accrued vacation payable (note 10)	80,792	58,645
Accrued payroll and benefits payable	-	66,540
Lease liability - current (note 16)	131,994	62,826
Security deposits	129	129
Total current liabilities	249,587	237,943
Non-current liabilities:		
Lease liability (note 16)	539,025	-
Total non-current liabilities	539,025	-
Total liabilities	788,612	237,943
Net assets:		
Without donor restrictions:		
Undesignated	2,433,270	3,040,440
Board designated (note 11)	1,500,000	1,000,000
Total without donor restrictions	3,933,270	4,040,440
With donor restrictions (note 12)	1,635,733	1,499,707
Total net assets	5,569,003	5,540,147
Total liabilities and net assets	\$ 6,357,615	\$ 5,778,090

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities:</b>			
Support and revenue			
Contributions from grants	\$ 1,898,049	\$ 1,098,388	\$ 2,996,437
Contributions from individuals	484,911	-	484,911
Research and honoraria income	1,500	-	1,500
Other income	750	-	750
Net assets released from restrictions (note 13)	962,362	(962,362)	-
Total support and revenue	3,347,572	136,026	3,483,598
Expenses			
Program services			
Communications	636,924	-	636,924
Organizing	1,360,123	-	1,360,123
Advocacy	435,977	-	435,977
Total program services	2,433,024	-	2,433,024
Supporting services			
Management and general	678,650	-	678,650
Fundraising	397,312	-	397,312
Total supporting services	1,075,962	-	1,075,962
Total functional expenses	3,508,986	-	3,508,986
Change in net assets from operating activities	(161,414)	136,026	(25,388)
<b>Non-operating Activities:</b>			
Gain on disposal of property and equipment	1,200	-	1,200
Loss on uncollectible promises to give	(1,000)	-	(1,000)
Change in beneficial interest in assets held by the Foundation of the Carolinas	39,720	-	39,720
Net investment income	14,324	-	14,324
Change in net assets from non-operating activities	54,244	-	54,244
Change in net assets	(107,170)	136,026	28,856
Net assets, beginning of year	4,040,440	1,499,707	5,540,147
Net assets, end of year	\$ 3,933,270	\$ 1,635,733	\$ 5,569,003

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities:</b>			
Support and revenue			
Contributions from grants	\$ 3,127,351	\$ 801,000	\$ 3,928,351
Contributions from individuals	625,391	2,000	627,391
Net assets released from restrictions (note 13)	981,488	(981,488)	-
Total support and revenue	4,734,230	(178,488)	4,555,742
Expenses			
Program services			
Communications	1,492,479	-	1,492,479
Organizing	1,499,510	-	1,499,510
Advocacy	442,824	-	442,824
Total program services	3,434,813	-	3,434,813
Supporting services			
Management and general	625,075	-	625,075
Fundraising	264,340	-	264,340
Total supporting services	889,415	-	889,415
Total functional expenses	4,324,228	-	4,324,228
Change in net assets from operating activities	410,002	(178,488)	231,514
<b>Non-operating Activities:</b>			
Loss on disposal of property and equipment	(211)	-	(211)
Loss on uncollectible promises to give	(5,000)	-	(5,000)
Change in beneficial interest in assets held by the Foundation of the Carolinas	(56,292)	-	(56,292)
Net investment income	5,151	-	5,151
Change in net assets from non-operating activities	(56,352)	-	(56,352)
Change in net assets	353,650	(178,488)	175,162
Net assets, beginning of year	3,686,790	1,678,195	5,364,985
Net assets, end of year	\$ 4,040,440	\$ 1,499,707	\$ 5,540,147

*The accompanying notes are an integral part of the financial statements.*



DEMOCRACY NORTH CAROLINA  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2023

	Program Services			Supporting Services		
	Communications	Organizing	Advocacy	Management and General	Fundraising	Total
Salaries	\$ 311,128	\$ 656,132	\$ 289,794	\$ 333,956	\$ 215,968	\$ 1,806,978
Employee benefits	41,927	91,609	35,753	54,089	32,634	256,012
Payroll taxes	23,756	50,218	22,193	28,574	16,715	141,456
Professional development	4,010	21,307	3,346	18,992	7,414	55,069
Consultants/Contractors	70,587	42,950	20,000	89,780	11,186	234,503
Meals and catering	569	6,936	80	414	576	8,575
Meetings and events	321	3,812	45	-	10,101	14,279
Outreach grant and coalitions	-	267,800	-	-	1,448	269,248
Communications	55,375	1,483	1,033	1,284	2,900	62,075
Facilities	17,153	54,769	17,145	63,116	12,341	164,524
Technology	26,890	27,273	12,995	12,267	16,899	96,324
Supplies	2,099	11,767	545	5,351	3,395	23,157
Printing, publications, social media	52,644	20,369	200	880	34,952	109,045
Postage and shipping	5,220	3,387	7	4,124	1,608	14,346
Travel expenses	8,348	66,110	8,543	9,670	9,357	102,028
Professional services	13,757	27,720	21,516	29,277	11,857	104,127
Insurance	1,046	1,993	954	2,310	730	7,033
Banking and processing fees	1,118	2,862	1,001	3,984	6,123	15,088
Dues and subscriptions	427	1,317	753	2,412	935	5,844
Depreciation expense	-	-	-	16,182	-	16,182
Miscellaneous expenses	549	309	74	1,988	173	3,093
Total functional expenses	\$ 636,924	\$ 1,360,123	\$ 435,977	\$ 678,650	\$ 397,312	\$ 3,508,986

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2022

	Program Services			Supporting Services		
	Communications	Organizing	Advocacy	Management and General	Fundraising	Total
Salaries	\$ 305,094	\$ 683,404	\$ 209,640	\$ 336,428	\$ 108,740	\$ 1,643,306
Employee benefits	28,625	56,056	25,944	71,939	13,369	195,933
Payroll taxes	24,392	53,709	17,234	27,328	8,928	131,591
Professional development	2,857	7,665	5,171	15,402	3,637	34,732
Consultants/Contractors	124,886	91,455	74,382	47,392	35,030	373,145
Meals and catering	540	10,264	764	-	-	11,568
Meetings and events	2,497	3,198	14	-	-	5,709
Outreach grant and coalitions	-	403,300	19,000	-	-	422,300
Communications	187,994	-	70	1,512	-	189,576
Facilities	27,938	72,640	23,386	21,632	19,168	164,764
Technology	23,329	24,499	12,628	10,260	21,538	92,254
Supplies	1,773	6,648	1,913	5,449	1,668	17,451
Printing, publications, social media	320,056	35,232	42,615	190	20,932	419,025
Postage and shipping	436,687	17,412	531	1,410	15,463	471,503
Travel expenses	2,833	25,195	1,471	7,877	3,020	40,396
Professional services	736	2,618	6,071	58,765	4,289	72,479
Insurance	583	844	488	1,620	646	4,181
Banking and processing fees	911	2,746	758	6,006	7,600	18,021
Dues and subscriptions	214	109	500	1,010	130	1,963
Depreciation expense	-	-	-	9,758	-	9,758
Miscellaneous expenses	534	2,516	244	1,097	182	4,573
Total functional expenses	<u>\$ 1,492,479</u>	<u>\$ 1,499,510</u>	<u>\$ 442,824</u>	<u>\$ 625,075</u>	<u>\$ 264,340</u>	<u>\$ 4,324,228</u>

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2023 and 2022

	2023	2022
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 28,856	\$ 175,162
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	16,182	9,758
Loss on uncollectible promises to give	1,000	5,000
Donated securities	(7,782)	(35,034)
Proceeds from sale of donated securities	41,158	32,924
Loss(gain) on disposal of property and equipment	(1,200)	211
Change in beneficial interest in assets held by the Foundation for the Carolinas	(39,720)	56,292
Realized and unrealized (gain) loss on investments	(33,376)	2,110
(Increases) decreases in operating assets:		
Accounts receivable	(61)	(48)
Employee Retention Credit receivable	(396,214)	-
Grants receivable	(153,523)	140,149
Promises to give	29,154	50,899
Sales tax receivable	14,974	(18,816)
Prepaid expenses	(18,699)	(5,627)
Increases (decreases) in operating liabilities:		
Accounts payable	726	(14,124)
Accrued expenses	8,290	16,680
Payroll liabilities	(66,540)	(3,489)
Operating lease assets and liabilities	43,729	(2,231)
Net cash (used) provided by operating activities	(533,046)	409,816
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,079)	(58,190)
Proceeds from the disposal of property and equipment	1,200	-
Net cash provided (used) by investing activities	121	(58,190)
Net increase in cash and cash equivalents and restricted cash	(532,925)	351,626
Cash and cash equivalents and restricted cash, beginning of year	4,237,376	3,885,750
Cash and cash equivalents and restricted cash, end of year	<u>\$ 3,704,451</u>	<u>\$ 4,237,376</u>
<b>Composition of cash and cash equivalents</b>		
Cash and cash equivalents	\$ 3,676,156	\$ 4,210,522
Restricted cash and cash equivalents	28,295	26,854
	<u>\$ 3,704,451</u>	<u>\$ 4,237,376</u>

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2023 and 2022

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**NOTE 1 – ORGANIZATION**

Democracy North Carolina (the “Organization”) is a 501(c)(3) not-for-profit corporation organized under the laws of the state of North Carolina. The Organization is organized for charitable and educational purposes to promote public discussion about the vitality of democracy in North Carolina; increase voter education; increase voter registration and civic participation within the state; examine the influence of private money on public policy and elections; and evaluate the relative importance of various governmental reforms, including public financing of elections.

The Organization’s programs involves a variety of distinct but integrated activities, including:

*Organizing* - statewide and in local communities from the halls of the legislature to city halls and local boards of elections – to bring together diverse groups of people to focus on shared advocacy and civic engagement goals.

*Communications* – developing and delivering external resources, including traditional media, public relations, and digital communications, to build public awareness of and favorability toward the Organization’s external goals and increase the Organization’s exposure to targeted audiences, including the public, media, and other intermediaries.

*Advocacy* - through local and statewide networks of informed citizens who are willing to pursue and defend meaningful pro-democracy policies and take a more active role in government. Frequent training for citizens, including Democracy Summer, a paid internship for outstanding college students.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting** - The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Basis of presentation** – The Organization’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. As a result, the net assets of the Organization and changes therein are classified and reported as either with or without donor restrictions.

**Net assets without donor restrictions** – Net assets without donor restrictions include resources which are available for use in carrying out the supporting activities of the Organization and are not subject to donor-imposed stipulations.

DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2023 and 2022

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net assets with donor restrictions** – Net assets with donor restrictions include resources that have been donated to the Organization and that are subject to restrictions as defined by the donor. These restrictions are met either by the actions of the Organization and/or the passage of time. When a restriction expires as a result of the action of the Organization and/or passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization had net assets with donor restrictions of \$1,635,733 and \$1,499,707, as of December 31, 2023 and 2022, respectively.

**Revenue recognition** - The Organization follows ASC Topic 958-605, Revenue Recognition. In accordance with ASC 958-605, unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Gifts of cash and other assets are reported with donor restricted support if they are designated for future periods or restricted by the donor for a specific purpose.

Conditional promises to give, which are defined as those promises to give that contain a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. If a condition related to a donor restricted contribution is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. As of December 31, 2023 and 2022, the Organization had no grants and promises to give that have not been recognized in the accompanying statements of activities because the conditions on which they depend have not yet been met.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restricted support. In the event that monies both with and without donor restrictions are available for use for activities that comply with donor restrictions, the Organization will use funds having donor restrictions first.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

**Contributed Services** – A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs. The value of this contributed time is not reflected in the financial statements as it is not susceptible to objective measurement or valuation.

**Liquidity** – Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2023 and 2022

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising** – The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2023 and 2022 was \$62,075 and \$189,576, respectively.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and equipment** – Property and equipment is carried at cost and adjusted for impairments of value. The Organization capitalizes all expenditures greater than \$1,000 for property and equipment at cost, and donated assets are recorded at fair market value at the date of the donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which has been estimated at three to ten years.

Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition, the cost and related accumulated depreciation accounts are relieved of the amount for each asset, and any related gain or loss is included in operations.

**Income taxes** - The Organization is exempt from federal income taxes under Sections 501(c)(3) of the Internal Revenue Code. The State of North Carolina has granted a similar exemption. Therefore, no income taxes are reflected in these financial statements.

**Uncertain tax positions** – Income from certain activities not directly related to the Organization's tax-exempt purposes may be subject to taxation as unrelated business income. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Organization had no uncertain income tax positions at December 31, 2023 and 2022. The Organization is not classified as a private foundation.

**Concentrations of revenue sources** - The Organization is funded primarily through grants. Any significant decrease in its level of grant revenue could pose a risk to the Organization's financial position.

**Expense allocation** – Expenses are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to functional and supporting services based on their relative use by each function. A formula for percentage of usage is based on the number of staff members in each functional area. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.



DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2023 and 2022

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments** - Investments in marketable securities with readily determinable fair values and all investments are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Concentrations of credit risk** - The Organization maintains cash in several commercial banks located in North Carolina. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. Balances exceeding FDIC limits are uninsured. As of December 31, 2023 and 2022, the Organization had deposits of \$598,979 and \$542,798, respectively, exceeding insured limits. As of December 31, 2023 and 2022, the Organization held \$2,501,934 and \$3,280,165, respectively of fully insured funds in the Insured Cash Sweep network.

**Grants and promises to give** – Grants and promises to give that are expected to be collected within one year are recorded at net realizable value. Grants and promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in collection. The allowance is based on historical collection experience and a review by management of the current status of existing receivables. As of December 31, 2023 and 2022, management estimated an allowance for uncollectible promises to give of \$5,000.

**Measure of operations** – The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, beneficial interest, financing costs and other activities considered to be of a more unusual or non-recurring nature.

**Leases** – In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statements of financial position and disclose key information about leasing arrangements. The Organization elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, The Organization recognized right-of-use assets related to operating leases of \$193,645 and lease liabilities totaling \$187,246 in its statement of financial position as of January 1, 2022. Additionally, as of January 1, 2022, deferred rent of \$4,316 and prepaid rents of \$10,715 were reclassified as part of the implementation. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2023 and 2022

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term and is reported as facilities expense within the statements of functional expenses. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as facilities expense on a straight-line basis over the lease term in the statements of functional expenses.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, money market accounts, highly liquid investments with original maturities of three months or less and amounts on deposit with banks. Due to the short nature of cash equivalents, the amount approximates fair value.

The Organization had the following cash and cash equivalents balances available for operations as of December 31:

	2023	2022
Non-interest bearing checking accounts	\$ 557,756	\$ 435,890
Interest bearing checking accounts	3,146,695	3,801,486
Total	<u>\$ 3,704,451</u>	<u>\$ 4,237,376</u>

**NOTE 4 – EMPLOYEE RETENTION CREDIT RECEIVABLE**

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020, the subsequent extension of the CARES Act, American Rescue Plan Act of 2021, and the Infrastructure Investment and Jobs Act, the Organization was eligible for a refundable employee retention credit (“ERC”) subject to certain criteria. The ERC is a refundable payroll tax credit that offsets certain employer FICA taxes. The Employee Retention Credit receivable at December 30, 2023 is \$396,214, which represents refunds due of \$182,417 on the Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarters ended June 30, 2020 and September 30, 2020, and \$213,797 on the Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarter ended September 30, 2021.

**NOTE 5 – GRANTS RECEIVABLE**

The Organization’s grants are characterized as contribution revenue and are reported at fair value at the date of donation. Management evaluates the collectability of its grants receivable and records an allowance, as necessary.



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**NOTE 5 – GRANTS RECEIVABLE (CONTINUED)**

At December 31, 2023 and 2022, the amount to be received in subsequent years is summarized as follows:

	2023	2022
Less than one year	\$ 550,000	\$ 450,000
One to three years	600,000	500,000
	1,150,000	950,000
Less: Present value discount	(51,612)	(5,135)
Net grants receivable	<u>\$ 1,098,388</u>	<u>\$ 944,865</u>

Grants receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The discount applied to grants receivable outstanding ranges from 0.95% to 4.60% as of December 31, 2023 and 2022. Amortization of the discount is reported in the statement of activities as an offset to contribution revenue.

Grants receivables consist of the following:

	2023	2022
Entity 1	\$ 900,000	\$ 700,000
Entity 2	-	50,000
Entity 3	100,000	200,000
Entity 4	50,000	-
Entity 5	100,000	-
Less: Discount	(51,612)	(5,135)
	<u>\$ 1,098,388</u>	<u>\$ 944,865</u>

**NOTE 6 – PROMISES TO GIVE**

Promises to give represent unconditional promises to give and are recognized as support when the donor makes the pledge. Promises to give are recorded at net realizable value. Management evaluates payment history and market conditions to estimate allowances for doubtful promises to give. As of December 31, 2023 and 2022, management estimated an allowance for uncollectible promises to give of \$5,000.

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**NOTE 6 – PROMISES TO GIVE**

Payments on promises to give at December 31, 2023 and 2022 are expected to be received in the following years:

	2023	2022
Promises to give in less than one year	\$ 51,928	\$ 29,750
Promises to give in one to three years	-	52,500
Less: discount to present value	-	(168)
Less: allowance for uncollectible promises to give	(5,000)	(5,000)
Total	\$ 46,928	\$ 77,082

Promises to give with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments as of the date of the initial pledge. The discount rates applied to promises to give outstanding as of December 31, 2022 ranged from 0.07% to 0.54%. There was no discount on promises to give as of December 31, 2023. Amortization of the discount is reported in the statements of activities as an offset to contribution revenue.

**NOTE 7 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following at December 31:

	2023	2022
Equipment	\$ 89,467	\$ 94,997
Vehicles	-	10,971
	89,467	105,968
Less accumulated depreciation	(41,422)	(42,820)
Property and equipment, net	\$ 48,045	\$ 63,148

The Organization recognized depreciation expenses of \$16,182 and \$9,758 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 8 – BENEFICIAL INTEREST IN ASSETS HELD BY THE FOUNDATION FOR THE CAROLINAS**

During 2015, the Organization established two quasi-endowed funds with unrestricted funds with the Foundation for the Carolinas (“Foundation”) and named itself as the beneficiary. The Board of Directors set aside these funds to create a cash reserve fund. The Organization granted variance power to the Foundation, which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified beneficiary, if, in the sole judgment of the Foundation’s Board of Directors, such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the

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**NOTE 8 – BENEFICIAL INTEREST IN ASSETS HELD BY THE FOUNDATION FOR THE CAROLINAS (CONTINUED)**

Foundation. The money is invested in a quasi-endowed agency fund and, therefore, the value fluctuates with changes in the value of the respective funds. The balance is presented as board designated net assets without donor restrictions in the statements of financial position. The change in the value of the beneficial interest is separately reported in the statement of activities.

The following table provides a summary of changes in fair value for the years ended December 31:

	2023	2022
Beneficial interest, beginning	\$ 321,440	\$ 377,732
Change in value of trust	39,720	(56,292)
Beneficial interest, end of year	<u>\$ 361,160</u>	<u>\$ 321,440</u>

**NOTE 9 – FAIR VALUE MEASUREMENTS**

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The defined levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

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**NOTE 9 – FAIR VALUE MEASUREMENTS (CONTINUED)**

The Organization's financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels are shown below:

December 31, 2023				
	Quoted Prices in Active Markets for identical assets Level (1)	Level (2)	Level (3)	Total
Beneficial interest in assets held by the Foundation of the Carolinas	\$ -	\$ -	\$ 361,160	\$ 361,160

  

December 31, 2022				
	Quoted Prices in Active Markets for identical assets Level (1)	Level (2)	Level (3)	Total
Beneficial interest in assets held by the Foundation of the Carolinas	\$ -	\$ -	\$ 321,440	\$ 321,440

The Organization uses appropriate valuation techniques based on the available inputs. When available, the Organization measures fair value using Level 1 inputs as they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs are only used when Level 1 inputs are not available. The market approach was used for all assets classified as Level 1 and Level 2. The fair value of the beneficial interest in assets held by the Foundation for the Carolinas, classified as Level 3, is measured based on the fair values of the underlying assets, which consist primarily of fixed income, equity securities, alternative investments, and cash for which the Organization relies on fair value measurement calculations performed and provided by the Foundation for the Carolinas. Inputs include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument.

There were no changes to valuation techniques during the years ended December 31, 2023 and 2022.

**NOTE 10 – ACCRUED VACATION PAYABLE**

For the years ended December 31, 2023 and 2022, the Organization had a paid-time-off (PTO) policy in which employees are permitted to carry over 15 days of accrued leave into the subsequent year. Accrued PTO was \$80,792 and \$58,645 as of December 31, 2023 and 2022, respectively.

**NOTE 11- BOARD DESIGNATED NET ASSETS**

As of December 31, 2023 and 2022, the Board of Directors designated \$1,500,000 and \$1,000,000, respectively, of net assets without donor restrictions to support the mission of the Organization. Since that amount is from an internal designation and is not subject donor restrictions, it is classified and reported as net assets without donor restrictions.

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**NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS**

Donor-restricted assets include gifts of cash and other assets for which donor-imposed purpose or time restrictions have not yet been met, and for which the ultimate purpose of the proceeds is not permanently restricted. As of December 31, 2023 and 2022, donor-restricted assets consisted of the following:

	<u>2023</u>	<u>2022</u>
<u>Subject to purpose restrictions</u>		
Carolina Youth Partnership	\$ 848,388	\$ 300,000
Leadership Center	-	785
Election Protection	-	75,000
Regranting	88,000	-
Capacity Building	1,975	1,975
<u>Subject to passage of time</u>		
2023 program activities	-	579,750
2024 program activities	697,370	542,197
	<u>\$ 1,635,733</u>	<u>\$ 1,499,707</u>

**NOTE 13 – NET ASSETS RELEASED FROM RESTRICTIONS**

The following are releases from donor restricted net assets for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<u>Subject to purpose restrictions</u>		
Leadership Center	\$ 785	\$ 215
Regranting	12,000	-
Election Protection	75,000	75,000
Carolina Youth Partnership	300,000	250,000
Capacity Building	-	8,225
<u>Subject to passage of time</u>		
Entity 1	396,236	388,778
Entity 2	98,629	101,371
Entity 3	-	50,000
Entity 4	-	50,000
Entity 5	50,000	-
Promises to give	29,712	57,899
	<u>\$ 962,362</u>	<u>\$ 981,488</u>

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**NOTE 14 – RETIREMENT PLAN**

The Organization offers its employees a pretax IRC Section 403(b) Plan (“403(b) Plan”). Full-time employees are eligible to participate upon their start date and part-time employees are eligible to participate if they have been employed for one year and have worked at least 1,000 hours for the Organization. The Organization matches all employee 403(b) contributions up to a maximum of 5% of the employee’s contributions. Additionally, the Organization offers a nonelective employer contribution in an amount equal to 2% of the employee’s compensation for all eligible employees after a 90-day probationary period. Staff members who were employed by the Organization prior to January 1, 2022, the date of the most recent plan revision, were grandfathered into this program and received their first nonelective contribution in August 2022. Participants in the 403(b) Plan are immediately vested in all employee and employer contributions.

For the years ended December 31, 2023 and 2022, retirement plan contributions made by the Organization totaled \$64,480 and \$38,276, respectively.

**NOTE 15 – RESTRICTED CASH - HEALTH REIMBURSEMENT ACCOUNT**

The Organization provides a health reimbursement account for employees that covers co-pays and deductibles. The insurance company that provides the Organization’s health insurance mandates a minimum balance of \$25,000 in the bank account that issues the reimbursements. The account is monitored by management to ensure compliance. As of December 31, 2023 and 2022, the Organization held restricted cash for the health reimbursement account of \$28,295 and \$26,854, respectively, and was in full compliance.

**NOTE 16 – LEASES**

The Organization evaluates current contracts to determine they meet the criteria of a lease. The right-of-use (ROU) assets represent the Organization’s right to use underlying assets for the lease term, and the lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities are calculated based on the present value of future lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

On February 6, 2020, the Organization entered into an operating lease for its primary office space. The lease agreement was payable in monthly installments that began at \$10,298 for the first year and escalated according to a fixed schedule annually until the lease ended, on June 30, 2023. The forty-two month lease term excluded a two-year extension, available at the Organization’s option, which was not reasonably certain to exercise as the overall terms of the lease agreement were to be renegotiated. Therefore, the payments associated with the extension were not included in the ROU asset nor the lease liability recognized as of December 31, 2022.



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**NOTE 16 – LEASES (CONTINUED)**

In March 2023, the Organization entered into an amendment of its operating lease for its primary office space. The amendment extended the lease term by sixty-eight months, beginning on July 1, 2023, and does not provide for any extension options. Additionally, the amendment sets forth a new monthly installment payment of \$11,496, which escalates by 3% every July 1<sup>st</sup> until the lease termination date of February 29, 2029. Furthermore, the Organization received a four-month abatement from July through October of 2023.

Additionally, the Organization leases space for its regional offices under short-term leases for which the Organization does not report ROU assets and leases liabilities. The lease agreements require monthly lease payments between \$154 and \$926.

	2023	2022
Lease expense:		
Operating lease expense included in facilities expense	\$ 137,452	\$ 126,568
Short-term lease expense included in facilities expense	\$ 22,506	\$ 31,151
Other information:		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 89,142	\$ 128,798
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 693,574	\$ -

Supplemental Statement of Net Position information related to leases:

	2023	2022
Right-of-use assets - operating leases	\$ 635,920	\$ 71,456
Lease liabilities - operating	\$ 671,019	\$ 62,826
Weighted-average remaining lease term in months	62	6
Weighted-average discount rate	4.19%	1.34%

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**NOTE 16 – LEASES (CONTINUED)**

<u><b>Maturity Analysis</b></u>	
2024	\$ 137,861
2025	142,057
2026	148,528
2027	152,983
2028	157,581
2029	<u>26,652</u>
Total undiscounted cash flows	765,662
Less present value discount	<u>(94,643)</u>
Total lease obligations	<u>\$ 671,019</u>

**NOTE 17 – LIQUIDITY**

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,704,451	\$ 4,237,376
Accounts receivable	109	48
Employee Retention Credit receivable	396,214	-
Grants receivable	1,098,388	944,865
Promises to give	46,928	77,082
Sales tax receivable	8,054	23,028
Prepaid expenses	58,346	39,647
Less:		
Restricted cash	(28,295)	(26,854)
With Donor restrictions	(1,635,733)	(1,499,707)
Restrictions expected to be met before 12/31	<u>1,087,345</u>	<u>957,510</u>
	<u>\$ 4,735,807</u>	<u>\$ 4,752,995</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed or other restrictions within one year of the statement of financial position date. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due.



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**NOTE 17 – LIQUIDITY**

The Board of Directors of the Organization adopted a formal operating reserve policy in 2017, the purpose of which is to build and maintain an adequate level of net assets without donor restrictions to support the Organization's day-to-day operations in the event of unforeseen shortfalls. The objective is to fund the operating reserve from surplus unrestricted operating funds to be equal to five months of cash operating expenses. The Organization does not intend to spend from operating reserves, though if additional liquidity is needed, these amounts could be made available, if necessary.

**NOTE 18 – RELATED PARTIES**

The Organization received contributions and/or cash receipts fulfilling outstanding promises to give from members of the Board of Directors totaling \$55,199 and \$77,015 for the years ending December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, outstanding promises to give from Board members were \$49,428 and 75,000, respectively.

The Organization obtains certain communications services from a company owned by the spouse of the Co-Executive Director. During the years ended December 31, 2023 and 2022, expenses incurred with the company were \$1,169 and \$0, respectively. There were no amounts payable as of December 31, 2023 and 2022.

The Co-Executive Director serves as treasurer on the Board of Directors of Nonprofit VOTE, a registered 501(c)(3) that equips other nonprofits across the United States with nonpartisan tools, resources, and grants to help the communities they serve participate in voting and democracy. The Nonprofit VOTE Board of Directors does not make decisions on which organizations will receive these grants. In fiscal year 2023, Nonprofit Vote granted the Organization \$35,000 to implement a 2023 voter engagement initiative.

**NOTE 19 – SUBSEQUENT EVENTS**

We have evaluated subsequent events through May 28, 2024, the date the financial statements were available to be issued.